SD Guthrie (SDG MK)

1Q26: Results Within Expectations; Production And ASPs To Pick Up From Hereon

BUY (Maintained)	
Share Price	RM6.20
Target Price	RM6.90
Upside	11.3%

Highlights

- SDG reported 1Q26 core net profit of RM415m (-16% yoy), accounting for 19% of our and consensus forecasts.
- Management has revised its production cost guidance upward to RM2,700/tonne due to higher diesel prices, while FFB output growth is projected at 2-5%.
- Maintain BUY with an unchanged target price of RM6.90.

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1Q26 Results

Year to 31 Dec (RMm)	1Q26	4Q25	1Q25	qoq%	yoy%
Revenue	4,690	5,498	4,817	(14.7)	(2.6)
Upstream	2,150	3,168	2,531	(32.1)	(15.1)
Downstream	4,235	4,636	4,317	(8.6)	(1.9)
Operating profit	636	718	753	(10.4)	(14.6)
Upstream	529	567	753	(6.7)	(29.7)
Downstream	109	173	81	(37.0)	34.6
Net profit	560	496	567	12.9	(1.2)
Core net profit	415	462	494	(10.1)	(16.0)
Margins					
Operating profit	13.7	13.1	15.6	5.0	(12.3)
Core net profit	8.9	8.4	10.3	5.4	(13.7)

Source: SD Guthrie, UOB Kay Hian

Analysis

- **Within expectations**. SD Guthrie's (SDG) 1Q26 core net profit of RM415m came in at 19% of our and consensus full-year estimates. This is deemed in line with expectations as earnings are anticipated to strengthen in the coming quarters on the back of higher CPO prices and improved production. Core net profit declined 16% yoy due to weaker upstream EBIT as FFB production fell 5% yoy, coupled with softer realised CPO price of RM4,115 per tonne (-10% yoy) and palm kernel price of RM3,073 per tonne (-8% yoy). This was partly offset by improved downstream performance (+43% yoy), driven by higher contributions from bulk (+50% yoy) and trading (+58% yoy) segments.

Key Financials

Year to 31 Dec (RM m)	2024	2025	2026F	2027F	2028F
Net turnover	19,831.0	20,895.0	24,986.4	24,994.1	26,810.0
EBITDA	4,102.0	4,487.0	4,783.5	4,442.0	4,260.4
Operating profit	2,649.0	3,048.0	3,192.9	2,851.3	2,669.7
Net profit (rep./act.)	1,527.0	2,503.0	2,169.8	1,999.6	1867.5
Net profit (adj.)	1,527.0	1,949.0	2,169.8	1,999.6	1867.5
EPS	22.4	28.7	31.9	29.4	27.0
PE (x)	24.9	19.5	19.8	21.4	23.0
P/B (x)	1.9	1.9	1.9	1.9	1.9
EV/EBITDA (x)	14.4	13.1	11.4	11.9	13.1
Dividend yield (%)	2.9	3.2	3.6	3.4	3.1
Net margin (%)	7.7	12.0	8.7	8.0	7.0
Net debt/(cash) to equity(%)	22.8	22.6	1.9	3.5	4.9
Interest cover (x)	34.5	71.2	73.4	72.6	73.0
ROE (%)	8.3	13.8	11.9	11.0	10.2
Consensus net profit	n.a	n.a	2,217	2,232	2,251
UOBKH/Consensus (x)	n.a	n.a	1.0	0.9	0.8

Source: SD Guthrie, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RM$m):	42,880
Market cap (US$m):	10,996
3-mth avg daily t'over (US$m):	5.5

Price Performance (%)

52-week high/low				RM6.45/RM4.45
1mth	3mth	6mth	1yr	YTD
0.32	6.9	14.8	32.5	9.7

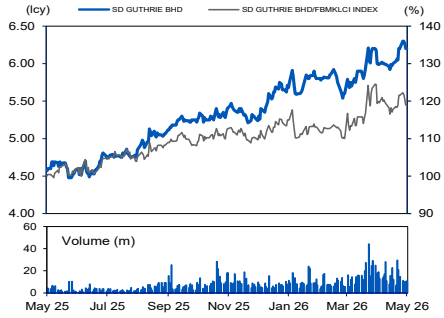
Major Shareholders %

Amanah Saham Nasional Bhd	53.3
Employees Provident Fund	14.8

Balance Sheet Metrics %

FY26 NAV/Share (RM)	2.95
FY26 Net Debt/Share (RM)	0.8

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

- **Management briefing takeaways:**
  - **Production** declined mainly due to weaker Indonesian output, following a normalisation in crop patterns after the exceptionally strong harvest recorded in the previous year. This was partly mitigated by improved OER in Malaysia, supported by favourable weather condition. Despite the softer start, management remains optimistic in delivering full-year FFB growth of 2–5%, underpinned by an expected strong recovery in Malaysian production over the next two quarters.
  - **CPO production cost** stood at RM2,600/tonne in 1Q26, with Malaysia's unit cost inching higher from RM2,700/tonne to RM3,000/tonne due to accelerated upkeep costs. Management indicated that these activities should be largely completed by Jun 26 ahead of the peak harvest season, with costs expected to normalise thereafter. In view of higher diesel prices, management has revised its full-year cost guidance upward from RM2,500/tonne to RM2,700/tonne, assuming oil prices remain at US$100/bbl.
  - **Downstream.** Trading and bulk segments benefitted from improved margin and higher sales volume while the differentiated products segment saw a recovery in its European operation. The trading and bulk segments are expected to continue delivering stronger performance in 2Q26, taking advantage of their operational flexibility and higher margins during heightened market volatility. Conversely, the outlook for the differentiated segment remains challenging due to persistently weak demand conditions, with limited scope for margin expansion in the near term.
  - **Industrial development.** The group recognised a RM160m gain from the disposal of 253 acres of land in Kulai. In addition, another two land transactions are expected to be completed within 2026, which should support the division in achieving its annual earnings target of RM500m–700m.

Valuation/Recommendation

- **Maintain BUY with unchanged target price of RM6.90,** pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). We like SDG for its favourable estate age profile and medium-term growth prospects, supported by new business verticals in renewables as well as industrial development. We also view the stock as a big-cap sector top pick to ride the bullish CPO price environment.

Earnings Revision/Risk

- **Earnings estimates unchanged.** We expect earnings to pick up in the subsequent quarters, underpinned by improved production level and a higher average CPO price of RM4,500/tonne. Our forecasts imply an 11% yoy growth in core net profit for 2026.

Share Price Catalyst

- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Key Assumptions

FFB production growth	3.5% yoy
CPO prices	RM4,500/tonne

Source: UOB Kay Hian

FFB Production Growth

FFB Production ('000 MT)	1Q FY2026	1Q FY2025	*YoY*
Upstream Malaysia	955	972	-2%
Upstream Indonesia	505	561	-10%
Upstream PNG and SI	450	473	-5%
Total	**1,910**	**2,006**	-5%

Source: SD Guthrie

Downstream Financial Performance

Recurring PBIT (RM'mn)	1Q FY2026	1Q FY2025	*YoY*
Downstream			
Differentiated	59	54	9%
Bulk	21	14	50%
Trading	41	26	58%
Others *	(15)	(13)	-15%
Total PBIT	**106**	**81**	31%
JV Companies	3	(5)	>100%
Grand Total PBIT	**109**	**76**	43%

Source: SD Guthrie

Environmental, Social, Governance (ESG)

Environmental

- SDG announced that additional biogas plants will be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030

Social

- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour.

Governance

- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

Source: SD Guthrie, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	20,895	24,986	24,994	26,810
EBITDA	4,487	4,784	4,442	4,260
Deprec. & amort.	1,439	1,591	1,591	1,591
EBIT	3,048	3,193	2,851	2,570
Associate contributions	(9)	(6)	51	54
Net interest income/(expense)	(63)	(65)	(61)	(59)
Pre-tax profit	3,530	3,122	2,841	2,664
Tax	(842)	(745)	(696)	(653)
Minorities	(185)	(207)	(145)	(144)
Net profit	2,503	2,170	2,000	1,867
Net profit (adj.)	1,949	2,170	2,000	1,867

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	19,341	19,846	20,352	20,857
Other LT assets	5,862	6,002	6,000	4,724
Cash/ST investment	624	4,649	6,181	7,313
Other current assets	5,916	2,108	(44)	(8,143)
Total assets	31,743	32,606	32,488	32,589
ST debt	546	469	329	177
Other current liabilities	2,669	3,540	3,541	308
LT debt	4,713	4,676	4,676	4,676
Other LT liabilities	2,966	2,966	2,966	271
Shareholders' equity	20,470	20,470	20,470	20,470
Minority interest	401	484	506	524
Total liabilities & equity	31,765	32,606	32,488	32,589

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	3,469	4,517	3,967	3,663
Pre-tax profit	3,039	3,187	2,902	2,724
Tax	(842)	(745)	(696)	(653)
Deprec. & amort.	1,439	1,591	1,591	1,591
Working capital changes	(336)	317	(1)	(257)
Other operating cashflows	169	167	171	173
Investing	(641)	(628)	(640)	(640)
Capex (maintenance)	(2,096)	(2,096)	(2,096)	(2,096)
Investments	1	2	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	2	14	2	2
Financing	(1,742)	(1,900)	(1,790)	(1,687)
Dividend payments	(1,252)	(1,410)	(1,300)	(1,214)
Issue of shares	0	0	0	0
Proceeds from borrowings	2	0	0	0
Loan repayment	(500)	(500)	(500)	(483)
Others/interest paid	8	10	10	10
Net cash inflow (outflow)	1,086	1,989	1,537	1,239
Beginning cash & cash equivalent	1,586	2,667	4,649	4,918
Changes due to forex impact	(6)	(6)	(6)	(6)
Ending cash & cash equivalent	2,667	4,649	6,181	6,157

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.5	19.1	17.8	17.4
Pre-tax margin	16.9	12.5	11.4	10.9
Net margin	12.0	8.7	8.0	7.6
ROA	8.3	7.1	6.6	6.0
ROE	13.8	11.9	11.0	10.2
Growth				
Turnover	59.7	91.0	91.1	1.9
EBITDA	59.4	70.0	57.8	(2.4)
Pre-tax profit	77.3	56.8	42.7	(3.7)
Net profit	111.2	83.1	68.8	(4.5)
Net profit (adj.)	27.6	11.3	(7.8)	(4.5)
EPS	183.3	215.4	190.6	(4.5)
Leverage				
Debt to total capital	25.2	24.0	23.1	27.8
Debt to equity	25.7	24.6	23.7	28.6
Net debt/(cash) to equity	22.6	1.9	(6.5)	(4.9)
Interest cover	71.2	73.4	72.6	73.0

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